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United Nations pension system

Report of the Fifth Committee

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I. Introduction

1. At its 9th plenary meeting, on 11 September 2000, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fifty-fifth session the item entitled "United Nations pension system" and to allocate it to the Fifth Committee.

2. The Fifth Committee considered the item at its 26th to 29th and 41st meetings, on 10, 13, 16 and 17 November and 18 December 2000. Comments and observations made in the course of the Committee's consideration of the item are reflected in the relevant summary records (A/C.5/55/SR.26-29 and 41).

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the United Nations Joint Staff Pension Board;[1]

(b) Report of the Advisory Committee on Administrative and Budgetary Questions (A/55/481);

(c) Report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund (A/C.5/55/3).

4. At the 26th meeting, on 10 November, the Chairman of the United Nations Joint Staff Pension Board introduced the report of the Board, and the Under-Secretary-General for Management introduced the report of the Secretary-General on the investments of the Fund (see A/C.5/55/SR.26).

[1] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 9* (A/55/9).

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II. Consideration of draft resolution A/C.5/55/L.14

5. At the 41st meeting, on 18 December, the representative of Côte d'Ivoire, coordinator of the informal consultations on the item, introduced on behalf of the Chairman, a draft resolution entitled "United Nations pension system" (A/C.5/55/L.14).

6. At the same meeting, the Committee adopted draft resolution A/C.5/55/L.14 without a vote (see para. 7).

III. Recommendation of the Fifth Committee

7. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

United Nations pension system

The General Assembly,

Recalling its resolutions 51/217 of 18 December 1996, 53/210 of 18 December 1998 and section V of its resolution 54/251 of 23 December 1999,

Having considered the report of the United Nations Joint Staff Pension Board for 2000 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund,[2] the report of the Secretary-General on the investments of the Fund[3] and the related report of the Advisory Committee on Administrative and Budgetary Questions,[4]

I
Actuarial matters

Recalling section I of its resolution 53/210,

Having considered the results of the valuation of the United Nations Joint Staff Pension Fund as at 31 December 1999 and the observations thereon of the Consulting Actuary of the Fund, the Committee of Actuaries and the United Nations Joint Staff Pension Board,

1. *Takes note with satisfaction* of the improvement in the actuarial situation of the United Nations Joint Staff Pension Fund, from an actuarial surplus of 0.36 per cent of pensionable remuneration as at 31 December 1997 to an actuarial surplus of 4.25 per cent of pensionable remuneration as at 31 December 1999, and, in particular, of the opinions provided by the Consulting Actuary and the Committee of Actuaries, as reproduced in annexes IV and V, respectively, to the report of the United Nations Joint Staff Pension Board;[2]

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[2] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 9* (A/55/9).
[3] A/C.5/55/3.
[4] A/55/481.

2. *Takes note also* of the decision of the Board, in accordance with article 11 (a) of the Regulations of the United Nations Joint Staff Pension Fund, to lower the interest rate used to determine lump-sum commutations, from the current 6.5 per cent to 6 per cent, with respect to contributory service performed as from 1 January 2001;

3. *Takes note further* that the Board has established a working group to undertake a fundamental review of the benefit provisions of the Fund, taking into account developments in staffing and remuneration policies in the member organizations and in pension arrangements at the national and international levels, and to make proposals to the Standing Committee in 2001 and subsequently to the Board in 2002, on the future long-term needs of the Fund and its constituent groups, for eventual submission by the Board to the General Assembly at its fifty-seventh session;

4. *Takes note* of the observations of the Advisory Committee on Administrative and Budgetary Questions contained in paragraph 8 of its report;[4]

5. *Concurs* with the Transfer Agreement with the World Trade Organization, approved by the Board under article 13 of the Regulations of the Fund, with a view to securing continuity of pensions rights between the Fund and the World Trade Organization, as set out in annex VII of the report of the Board;[2]

6. *Takes note* of the intention of the Board and the International Bank for Reconstruction and Development to pursue a new transfer agreement in the light of the changes made in the pension plan of the Bank, and of the interim procedures that will be followed until a new agreement is concluded;

II
Pension adjustment system

Recalling section II of its resolution 53/210,

Having considered the reviews carried out by the United Nations Joint Staff Pension Board, as set out in paragraphs 186 to 200 of its report,[2] of various aspects of the pension adjustment system,

1. *Takes note* of the results of the monitoring of the cost/savings of recent modifications of the two-track feature of the pension adjustment system, and of the intention of the Board to continue to monitor those costs/savings every two years, on the occasion of the actuarial valuations of the Fund;

2. *Approves* changes in the pension adjustment system, as set out in annex I to the present resolution:

(a) To lower the threshold for implementing cost-of-living adjustments of pensions in award from 3 per cent to 2 per cent, with effect from the adjustment due on 1 April 2001;

(b) To modify, provisionally, paragraphs 4 and 5 of the provisions of the pension adjustment system, in order to implement Judgement 942 of the United Nations Administrative Tribunal, as described in section X, paragraphs 263 to 272, of the report of the Board,[2] pending possible future proposals made by the Board to

the General Assembly for changes in the pension adjustment system as regards adjustments of deferred retirement benefits;

III
Financial statements of the United Nations Joint Staff Pension Fund and report of the Board of Auditors

Having considered the financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 1999, the audit opinion and report of the Board of Auditors thereon, the information provided on the internal audits of the Fund and the observations of the United Nations Joint Staff Pension Board,[2]

1. *Takes note with satisfaction* that the report of the Board of Auditors on the accounts of the Fund for the biennium ended 31 December 1999 had indicated that the financial statements presented fairly, in all respects, the financial position of the Fund, and that the transactions tested as part of the audit had, in all significant respects, been in accordance with the Financial Regulations and legislative authority;

2. *Takes note also* of the observations of the Advisory Committee on Administrative and Budgetary Questions contained in paragraph 13 of its report;[4]

IV
Longer-term administrative arrangements of the United Nations Joint Staff Pension Fund

Recalling section VII of its resolution 51/217, section V of its resolution 52/222, section V of its resolution 53/210 and section V of its resolution 54/251 concerning the administrative arrangements and expenses of the United Nations Joint Staff Pension Fund,

Having considered section VI of the report of the United Nations Joint Staff Pension Board,[2] on the longer-term administrative arrangements of the Fund,

1. *Takes note* of the information set out in paragraphs 117 to 154 of the report of the Board,[2] on the strategic plan for the operations of the Fund, which addresses computer systems, process re-engineering and technological improvements, the progress report on the enhancement of the role of the Geneva Office of the Fund, the delegation of personnel and procurement decisions to the Fund, and office space needs;

2. *Welcomes* the efforts under way to effect improvements in the administrative operations of the Fund through greater use of the latest developments in information technology, including electronic exchanges of information between the Fund and its member organizations, as well as with participants and beneficiaries of the Fund, using Internet/Intranet web sites;

3. *Requests* the Standing Committee, in submitting the budget proposals for the biennium 2002-2003 and, if necessary, revised estimates for the current biennium, to provide detailed information on the costs and benefits related to Phase

One and Phase Two of the project, including timetables and the prioritizing of the various initiatives;

V
Entitlement to survivors' benefits for spouses and former spouses

Recalling section VIII, paragraph 4, of its resolution 51/217 and section VIII of its resolution 53/210,

Having considered the further review undertaken by the United Nations Joint Staff Pension Board of issues related to the pension entitlements of spouses and former spouses, as set out in paragraphs 155 to 185 of its report,[2]

1. *Approves* the amendment to article 35 bis of the Regulations of the Fund, as set out in annex II of the present resolution, which would extend the provision for a divorced surviving spouse's benefit, to divorced spouses of former participants who separated before 1 April 1999 and who meet all the other eligibility conditions in subparagraph (b) of article 35 bis;

2. *Approves also* the amendment to article 34, as set out in annex II to the present resolution, which would restore the surviving spouse's benefit that had been eliminated for those who had remarried prior to 1 April 1999, subject to recovery (with interest) of the lump-sum payment made at the time of remarriage;

3. *Approves further* an amendment to article 45, as set out in annex II to the present resolution, which would modify the payment facility approved in resolution 53/210 along the lines set out in paragraphs 172 to 177 of the report of the Board;[2]

4. *Approves*, with effect from 1 April 2001, the amendment to article 34 (b), as set out in annex II of the present resolution, which would eliminate the partial commutation option for participants electing to receive a deferred retirement benefit for the reasons set out in paragraphs 178 to 183 of the report of the Board;[2]

5. *Takes note* of the responses to the arrangements approved in resolution 53/210 for the optional purchase of surviving spouses' benefits, on cost-neutral terms, in respect of marriage after separation from service;

6. *Requests* the Board to continue to monitor the experience with these issues and to report thereon to the General Assembly at its fifty-seventh session;

7. *Requests* the Board to replace the study of benefits for domestic partnerships, as referred to in paragraphs 184 and 185 of its report,[2] with a study on the existing rules and practices governing entitlements to survivors' pension benefits in international organizations, and to report thereon to the General Assembly at its fifty-seventh session;

VI
Status of the proposed agreement between the United Nations Joint Staff Pension Board and the Government of the Russian Federation

Recalling section IV of its resolution 51/217 and section III of its resolution 53/210,

Noting the information provided by the Board in paragraphs 201 to 232 of its report[2] and the additional information contained in official communications from the Government of the Russian Federation to the Chief Executive Officer of the Fund after the fiftieth session of the Board,

1. *Takes note* of the information provided by the Government of the Russian Federation on internal solutions being prepared with a view to address the concerns of Russian former participants of the Fund;

2. *Appreciates* the efforts of the Board in addressing this issue;

VII
Other matters

1. *Takes note* of the observations of the United Nations Joint Staff Pension Board, as set out in paragraphs 233 to 240 of its report,[2] on the review and conclusions reached by the International Civil Service Commission on the changes in average tax rates at the seven headquarters duty stations which formed the basis for the development of the current common scale of staff assessment for pensionable remuneration;

2. *Takes note also* of the review of the size and composition of the Board and the Standing Committee and, in particular, the provisional allocation of the seat vacated by the former Interim Commission for the International Trade Organization effected upon the termination of its membership in the Fund as at 31 December 1998, as described in paragraphs 241 to 252 of the report of the Board;[2]

3. *Notes* that a further review of the size and composition of the Board and the Standing Committee will be undertaken in the first instance by the Standing Committee in 2001 and subsequently by the Board in 2002, addressing the issues set out in paragraph 252 of the report of the Board;[2]

4. *Approves*, with effect from 1 January 2001, an amendment to article 6 of the Regulations of the Fund, as set out in annex II to the present resolution, which would set the terms of office for the elected members and alternate members of the United Nations Staff Pension Committee at four years, instead of the current three years;

5. *Approves*, with effect from 1 January 2001, an amendment to article 14 of the Regulations of the Fund, as set out in annex II to the present resolution, which would set the frequency for audits of the operations of the Fund to be annually and for audit reports on the accounts of the Fund by the Board of Auditors to be submitted to the General Assembly every two years, instead of annually;

6. *Approves*, with effect from 1 January 2001, an amendment to article 43 of the Regulations, as set out in annex II to the present resolution, which would provide for the recovery of indebtedness to the Fund pursuant to observations made by the Board of Auditors and to the comments thereon by the Board, for the reasons given in paragraphs 257 to 262 of the report of the Board;[2]

7. *Takes note* of the consequent amendment that would be made to Administrative Rule J.9 (a), as set out in paragraph 261 of the report of the Board;[2]

VIII
Investments of the United Nations Joint Staff Pension Fund

1. *Takes note* of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund, as well as the observations of the United Nations Joint Staff Pension Board thereon in its report;[2]

2. *Expresses its appreciation* to the Secretary-General and to the members of the Investments Committee for the investment performances of the Fund, which contributed significantly to the actuarial surplus of the Fund as at 31 December 1999;

3. *Requests* the Secretary-General to continue to explore investment possibilities by the Fund in the developing countries, taking into consideration General Assembly resolution 36/119 of 10 December 1981, and to report thereon to the General Assembly at its fifty-seventh session;

4. *Takes note also* of the observations of the Board of Auditors on the outstanding tax refunds due to the Fund from some Member States in respect of direct taxes imposed on the investment income of the Fund, as set out in paragraphs 20 to 24 of its report, which is reproduced in annex III to the report of the Board;[2]

5. *Urges once again* those Member States which have outstanding balances on foreign tax accounts receivable to provide the reimbursement due;

6. *Reiterates* its request to those Member States which do not grant tax exemptions to make all possible efforts to do so as soon as possible.

Annex I
Changes in the pension adjustment system of the United Nations Joint Staff Pension Fund

1. In paragraph 4, after the words "Except as otherwise noted" at the beginning of the first sentence, add the following phrase within parentheses: "(e.g. in paragraphs 5 (d), 10 and 27 with regard to deferred retirement benefits)."

2. In paragraph 5, add the following new subparagraph (d):

"(d) The cost-of-living differential factor in subparagraph 5 (b) (i) above shall not apply to deferred retirement benefits."

3. In paragraph 18, replace the words "3 per cent" with the words "2 per cent."

Annex II
Amendments to the Regulations of the United Nations Joint Staff Pension Fund

Article 6
Staff Pension Committees

In paragraph (b), replace the words "three years" with the words "four years."

Article 14
Annual report and audit

Replace paragraph (b), with the following:

"(b) There shall be annual audits of the operations of the Fund, in a manner agreed between the United Nations Board of Auditors and the Board. An audit report on the accounts of the Fund shall be made every two years by the United Nations Board of Auditors; a copy of the audit report shall be included in the report under (a) above."

Article 30
Deferred retirement benefit

Replace paragraph (c) with the following:

"(c) The benefit may be commuted by the participant into a lump sum if the rate of the benefit at the normal retirement age is less than 300 dollars. Such commutation shall be equivalent to the full actuarial value of the benefit."

Article 34
Widow's benefit

1. In paragraph (b), delete the following phrase at the end of the paragraph:

", or had commuted a deferred retirement benefit under article 30 (c)."

2. Add the following new paragraph (h):

"(h) Notwithstanding the provisions of (a) and (f) above, with respect to a surviving spouse who had remarried prior to 1 April 1999 the benefit under (a) above shall be payable as from 1 January 2001, subject to recovery (with interest) of the lump sum payment that had been made to that surviving spouse upon remarriage, as provided in the Regulations then in effect."

Article 35 bis
Divorced surviving spouse's benefit

Add the following new paragraph (e):

"(e) The divorced spouse of a former participant who separated before 1 April 1999 and, in the opinion of the Chief Executive Officer of the Fund, met all the other eligibility conditions in paragraphs (a) and (b) of this article shall be entitled as from 1 April 1999 to a benefit equal to twice the minimum surviving spouse's benefit under article 34 (c), subject to the proviso that the amount of such benefit cannot exceed the amount payable to a surviving spouse of the former participant."

Article 43
Recovery of indebtedness to the Fund

Add the following phrase at the end of the article:

", including interest and costs, where appropriate."

Article 45
Non-assignability of rights

Replace the text of article 45 with the following:

"(a) A participant or beneficiary may not assign his or her rights under these Regulations. Notwithstanding the foregoing, the Fund may, to satisfy a legal obligation on the part of a participant or former participant arising from a marital or parental relationship and evidenced by an order of a court or by a settlement agreement incorporated into a divorce or other court order, remit a portion of a benefit payable by the Fund to such participant for life to one or more former spouses and/or a current spouse from whom the participant or former participant is living apart. Such payment shall not convey to any person a benefit entitlement from the Fund or (except as provided herein) provide any rights under the Regulations of the Fund to such person or increase the total benefits otherwise payable by the Fund.

(b) To be acted upon, the requirement under the court order must be consistent with the Regulations of the Fund, as determined by the Chief Executive Officer of the Fund to be beyond any reasonable doubt, and on the basis of the available evidence. Once implemented, the assignment shall normally be irrevocable; however, a participant or former participant may request, upon satisfactory evidence based on a court order or a provision of a settlement agreement incorporated into a court decree, a new decision by the Chief Executive Officer that would alter or discontinue the payment or payments. Furthermore, such payment or payments shall cease following the death of the participant or former participant. If a designee predeceases the participant or former participant, the payments shall not commence, or if they have commenced, shall cease upon the designee's death. In the event that the payment or payments have been diminished, discontinued, or have failed to commence or have ceased, the amount of the benefit payable to the participant or former participant shall be duly adjusted."